

Telecom Regulatory Authority of India
Notification

New Delhi , the 24th January, 2003

No. 306-2/2003-Econ

In exercise of the powers conferred upon it under sub-section (2) of section 11 of the Telecom Regulatory Authority of India Act, 1997 as amended by TRAI (Amendment) Act, 2000, the Telecom Regulatory Authority of India (TRAI) hereby makes the following order by an amendment to the Telecommunication Tariff Order, 1999 by notification in the Official Gazette, in respect of tariffs at which Telecommunication Services within India and outside India shall be provided :

**The Telecommunication Tariff (Twenty Fourth Amendment) Order 2003
(1 of 2003)**

Section I

Title, Extent and Commencement

1. Short title, extent and commencement:
 - (i) This Order shall be called “The Telecommunication Tariff (Twenty Fourth Amendment) Order 2003”.
 - (ii) The Order shall come into force on the date of its notification in the Official Gazette.

Section II

Tariffs for Telecommunication Services

2 Tariffs

Tariffs as contained in Schedules I and II under Section III of the Telecommunication Tariff Order 1999 shall stand deleted and substituted as specified in the Schedules I and II hereto.

Section III

3. Explanatory Memorandum

This Order contains at Annex A, an explanatory memorandum to provide clarity and transparency to the tariffs specified in this Order.

BY ORDER

Dr. Harsha Vardhana Singh,
Secretary cum Principal Advisor,
Telecom Regulatory Authority of India

Schedule I

Basic Services (Other than ISDN)

ITEM	TARIFF
<u>(1) Date of Implementation</u>	1 April, 2003
<u>(2) Registration Charges</u>	Prevailing charges as on the date of this Order as ceilings
(3) Installation Charges (3.a) Fixed line telephony service using other than wireless in local loop technology (3.b) Fixed line telephony service using wireless in local loop technology (Fixed and Limited Mobility)	 Prevailing charges as on the date of this Order as ceilings Forbearance
<u>(4) Deposits</u> (4.a) Fixed line telephony service using other than wireless in local loop technology (4.b) Fixed line telephony service using wireless in local loop technology (Fixed)	 Not to exceed twelve month's rentals as specified from time to time Forbearance <u>Provided that,</u> The maximum period for deposit higher than at (4.a) above (i.e. higher than for fixed line telephony other than using wireless in local loop) is one year. At the end of one year of obtaining a wireless in local loop connection, unless the subscriber specifically demands the continuation of that connection on wireless in local loop, the additional deposit involved shall be refunded to the subscriber or interest paid on such additional deposit at the annual rate of interest for one year deposits prescribed by the State Bank of India.

<p>(4.c) Limited Mobility telephony service using wireless in local loop technology</p>	<p>Forbearance</p>		
<p>(4.d) Handset for Limited Mobility telephony service using wireless in local loop technology if provided by service provider</p>	<p>Forbearance</p>		
<p><u>(5) Monthly Rentals For Rural Subscribers</u></p> <p>(5.a) Fixed line telephony service including wireless in local loop technology (Fixed)</p>	<p>Capacity of local Exchange System (Number of Lines)</p> <p>-----</p> <p>Up to 999 1,000 to 29,999 30,000 to 99,999 1 lakh and above</p>	<p>Senior Citizen (Rs)</p> <p>-----</p> <p>70 120 180 250</p>	<p>Others (Rs.)</p> <p>-----</p> <p>70 120 200 280</p> <p>Note: The definition of Senior Citizen shall be the same as for the purpose of payment of Income Tax.</p>
<p>(5.b) For Limited Mobility telephony service using wireless in local loop technology</p>	<p>Rs.200 per month</p>		
<p>(5.c) For Limited Mobility telephony service using wireless in local loop technology if handset provided by service provider, without a deposit as stipulated in (4.d) above</p>	<p>As in (5.b) above Plus Ceiling of Rs.50.00 per month. This ceiling applies to all other amounts including, for example, depreciation and insurance premium, but excluding deposits.</p>		

	<p><u>Notes:</u></p> <p>(1) Rural subscribers are those who reside in a rural SDCA as specified in the new Basic Service Licenses.</p> <p>(2) Capacity of the Local Exchange system is the sum of the capacities of all exchanges in a local area. Any augmentation of the local exchange capacity after the date of implementation of this Order shall automatically be taken into account for re-classification for purposes of tariffs.</p> <p>(3) Short Distance Charging Area (SDCA) is one of the 2647 Local Areas whose details are provided in the Basic Service Licenses and also in the Numbering Plan wherein for each SDCA, a unique STD code is provided. Local call charges are applicable on Intra-SDCA traffic and for calls within the distance category “0 to 50 kms.”.</p>
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<u>(6) Monthly Rentals For Urban (Residential) Subscribers</u>			
(6.a) Fixed line telephony service including wireless in local loop technology (Fixed)	Capacity of local Exchange System (Number of Lines)	Senior Citizen (Rs)	Others (Rs.)
	-----	-----	-----
	Up to 29,999	120	120
	30,000 to 99,999	180	200
	1 lakh and above	250	280
	Note: The definition of Senior Citizen shall be the same as for the purpose of payment of Income Tax.		
(6.b) For Limited Mobility telephony service using wireless in local loop technology	Rs. 200 per month		
(6.c) For Limited Mobility telephony service using wireless in local loop technology if handset provided by service provider, without a deposit as stipulated in (4.d) above	As in (6.b) above Plus Ceiling of Rs.50.00 per month. This ceiling applies to all other amounts including, for example, depreciation and insurance premium, but excluding deposits.		
	<u>Notes:</u>		
	(1) Urban subscribers are those who reside in Semi-Urban or Urban SDCAs as specified in the new Basic Service Licenses.		
	(2) Capacity of the Local Exchange system is the sum of the capacities of all exchanges in a local area.		

<p><u>(7) Monthly Rentals For Commercial Subscribers in Urban Areas</u></p> <p>(7.a) Fixed line telephony service including wireless in local loop technology (Fixed)</p> <p>(7.b) For Limited Mobility telephony service using wireless in local loop technology</p>	<table border="0"> <tr> <td style="text-align: right;">Capacity of local Exchange System (Number of Lines)</td> <td style="text-align: right;">(Rs)</td> </tr> <tr> <td style="text-align: right;">-----</td> <td style="text-align: right;">-----</td> </tr> <tr> <td style="text-align: right;">30,000 to 99,999</td> <td style="text-align: right;">220</td> </tr> <tr> <td style="text-align: right;">1 lakh and above</td> <td style="text-align: right;">310</td> </tr> </table> <p>Rs. 200 per month</p> <p><u>Notes:</u></p> <p>(1) "Commercial user subscribers" shall mean and include a person and/or an establishment carrying on any trade, business or profession or any work in connection with or incidental or ancillary thereto.</p> <p>(2) Commercial monthly rentals are not specified separately for the lower exchange capacities.</p>	Capacity of local Exchange System (Number of Lines)	(Rs)	-----	-----	30,000 to 99,999	220	1 lakh and above	310
Capacity of local Exchange System (Number of Lines)	(Rs)								
-----	-----								
30,000 to 99,999	220								
1 lakh and above	310								
<p><u>(8) Tariff per metered call for rural subscribers</u></p> <p>(8.a) Fixed line telephony service including wireless in local loop technology (Fixed)</p> <p>(8.b) For Limited Mobility telephony service using wireless in local loop technology</p>	<table border="0"> <tr> <td style="text-align: right;">First 300 Metered calls per Month of the billing cycle (except for free calls)</td> <td style="text-align: right;">Metered calls in excess of the first 300 metered calls per month of the billing cycle</td> </tr> <tr> <td style="text-align: right;">(Rs.)</td> <td style="text-align: right;">(Rs.)</td> </tr> <tr> <td style="text-align: right;">-----</td> <td style="text-align: right;">-----</td> </tr> <tr> <td style="text-align: right;">0.80</td> <td style="text-align: right;">1.20</td> </tr> </table> <p>Forbearance subject to no charge for incoming calls</p>	First 300 Metered calls per Month of the billing cycle (except for free calls)	Metered calls in excess of the first 300 metered calls per month of the billing cycle	(Rs.)	(Rs.)	-----	-----	0.80	1.20
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(Rs.)	(Rs.)								
-----	-----								
0.80	1.20								

<p><u>(9) Free calls (or uncharged calls) for rural subscribers</u></p> <p>(9.a) Fixed line telephony service including wireless in local loop technology (Fixed)</p> <p>(9.b) For Limited Mobility telephony service using wireless in local loop technology</p>	<p>50 metered call units per month of a billing cycle</p> <p>No free calls shall be provided</p>								
<p><u>(10) Tariff per metered call for urban subscribers</u></p> <p>(10.a) Fixed line telephony service including wireless in local loop technology (Fixed)</p> <p>(10.b) For Limited Mobility telephony service using wireless in local loop technology</p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">First 300 Metered calls per Month of the billing cycle (except for free calls)</td> <td style="width: 50%;">Metered calls in excess of the first 300 metered calls per month of the billing cycle</td> </tr> <tr> <td style="text-align: center;">(Rs.)</td> <td style="text-align: center;">(Rs.)</td> </tr> <tr> <td style="text-align: center;">-----</td> <td style="text-align: center;">-----</td> </tr> <tr> <td style="text-align: center;">1.00</td> <td style="text-align: center;">1.20</td> </tr> </table> <p>Forbearance subject to no charge for incoming calls</p>	First 300 Metered calls per Month of the billing cycle (except for free calls)	Metered calls in excess of the first 300 metered calls per month of the billing cycle	(Rs.)	(Rs.)	-----	-----	1.00	1.20
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(Rs.)	(Rs.)								
-----	-----								
1.00	1.20								

<p><u>(11) Free calls (or uncharged calls) for urban subscribers</u></p> <p>(11.a) Fixed line telephony service including wireless in local loop technology (Fixed)</p> <p>(11.b) For Limited Mobility telephony service using wireless in local loop technology</p>	<p>30 metered call units per month of a billing cycle.</p> <p>No free calls shall be provided</p>
<p><u>(12) Pulse Rate for local calls</u></p>	<p>120 seconds</p>
<p>(13) Domestic Long Distance Tariffs for peak hours</p> <p>(13.a) For Intra-Circle calls</p>	<p>Radial distance between the long distance charging centres as applicable (Rs.)</p> <p>-----</p> <p>Up to 50 kms. Same as local call charge</p> <p>Distance Categories Above 50 kms. Forbearance subject to a ceiling of Rs. 8.40 per minute</p>

<p>(13.b) For Inter-Circle calls</p>	<p>Radial distance between the long distance charging centres as applicable (Rs.)</p> <p>-----</p> <p>Up to 50 kms. Same as Local Call charge</p> <p>Distance Categories Above 50 kms. Forbearance subject to a ceiling of Rs. 8.40 per minute</p>
	<p><u>Notes:</u></p> <p>(1) Charging centres are classified as "Long Distance Charging Centre" (LDCC) and "Short Distance Charging Centre" (SDCC).</p> <p>(2) Charging Centre shall be the SDCCs in case of Long Distance Calls between adjacent LDCAs and within the same LDCA.</p> <p>(3) Charging Centre shall be the LDCCs in case of Long Distance Calls between non-adjacent LDCAs</p> <p>(4) Long Distance Charging Centre is a particular Trunk Automatic Exchange (TAX) in a long distance charging area as presently defined for the purpose of charging for Long Distance calls. Headquarters of a Secondary Switching Area are generally LDCCs.</p> <p>(5) Short Distance Charging Centre is a particular exchange in short distance charging area as presently defined for the purpose of charging trunk calls. Headquarters of Short Distance Charging Areas are generally SDCCs.</p> <p>(6) Country is divided into 322 Secondary Switching Area (SSA) as per the National Switching and Routing plans. It is a territory, whose boundary, generally but not necessarily, is co-terminus with those of one or more revenue Districts.</p> <p>(7) The Authority expects that tariffs for lower distance categories to be substantially below the ceiling.</p> <p>(8) The Interconnection usage charge should be paid by one operator to another as specified in the Interconnection Usage Charge (IUC) Regulation.</p>
<p>(14) <u>Inter-national Subscriber Dialed calls</u></p>	<p>Forbearance</p>

<p>(15) Calls to Cellular Mobile</p> <p>(15.i) In Metros</p>	<p>Call charge of Rs. 1.20 per 90 seconds for calls from Fixed line to Cellular Mobile</p> <p>Tariff forbearance for calls from WLL (M)</p>
<p>(15.ii) In Circles</p>	<p>Call charge of Rs. 1.20 per 60 seconds for call from fixed line to cellular mobile</p> <p>Tariff forbearance for calls from WLL (M)</p>

<u>(16 PCOs/VPTs)</u>	
(16.a) Coin Collection Boxes (CCBs)	
(16.a.i) Tariff in rural areas	Re. 1.00 per metered call
(16.a.ii) Tariff in urban areas	Re. 1.00 per metered call
(16.b) Tariff for local call from PCOs/VPTs (other than from STD/ISD PCOs/VPTs)	
(16.b.i) in rural areas	Ceiling of Rs. 1.00 per metered call
(16.b.ii) in urban areas	Ceiling of Rs.1.20 per metered call
(16.c) Tariff for local and STD/ISD calls from STD/ISD PCOs/VPTs	
(16.c.i) in rural areas	Ceiling of Rs. 1.20 per metered call <u>plus</u> Ceiling of Rs. 2 for each STD/ISD call (in addition to applicable Long Distance tariff)
(16.c.ii) in urban areas	Ceiling of Rs. 1.20 per metered call <u>plus</u> Ceiling of Rs. 2 for each STD/ISD call (in addition to applicable Long Distance tariff)

<p><u>(17) Dial-up Access charges for Internet during off-peak hours</u></p> <p><u>(18) All Other Matters Relevant to Tariffs, including billing cycle, and special and supplementary services not elsewhere specified</u></p>	<p>Reduced Dial-up charges for off-peak hours to be provided to ISPs using both access codes 172 XXX through E1/R2 lines and ISDN PRI Access code</p> <p>Forbearance</p>
<p><u>EXPLANATORY NOTES:</u></p> <p><u>(a) Rural subscribers</u></p>	<p>Subscribers residing in SDCAs specified as Rural in the new Basic Service License.</p>
<p><u>(b) Urban subscribers</u></p>	<p>Subscribers residing in SDCAs specified as Semi-Urban and Urban in the new Basic Service License.</p>
<p><u>(c) Standard tariff package(s)</u></p>	<p>A standard tariff package provides basic services at the tariffs specified in the schedule, and includes the specified number of free calls. Different rentals prescribed for the three categories of subscribers in (a) to (c) above imply that three different standard tariff packages are specified in this schedule.</p>
<p><u>(d) Alternative tariff packages</u></p>	<p>Alternative tariff and free call allowance could be offered to subscribers by service providers, in addition to those offered in the standard tariff packages. In the "alternative tariff packages", items for which tariffs are specified in terms of a ceiling will continue to be subject to the specified ceiling. Items for which a specific amount of tariff is shown in this schedule (e.g. rentals and call charges) may have any alternative tariff in the "alternative tariff package". Similarly, an alternative free call allowance could be provided in an "alternative tariff package" subject to a ceiling of 25 on total number of alternative tariff plans on offer.</p>

<u>(e) Mandatory provision of standard packages</u>	Subscribers must have the option of getting basic services (other than ISDN) at tariffs and free call allowance specified in this schedule. In addition, the service provider may offer alternative tariff packages to the subscribers. The subscriber shall be free to choose among various tariff and free call offers available
<u>(f) Capacity of Local Exchange system (SDCA)</u>	The sum of the capacities of all exchanges in a local area. Any augmentation of the exchange capacity after the date of implementation of this Order shall automatically be taken into account for re-classification for the purposes of tariffs.
<u>(g) Short Distance Charging Area (SDCA)</u>	Short Distance Charging Area (SDCA) is one of the 2647 Local Areas whose details are provided in the Basic Service Licenses and also in the Numbering Plan wherein for each SDCA, a unique STD code is provided. Local call charges are applicable on Intra-SDCA traffic and for calls within the distance category "0 to 50 kms".
<u>(h) Charging Centres</u>	Charging centres are classified as "Long Distance Charging Centre" (LDCC) and "Short Distance Charging Centre" (SDCC). For adjacent SDCAs, SDCC is the reference Charging Centre. For non-adjacent SDCAs, LDCC is the reference Charging Centre.
<u>(i) Long Distance Charging Centre (LDCC)</u>	Long Distance Charging Centre is a particular Trunk Exchange in a long distance charging area as presently defined for the purpose of charging for trunk calls. Headquarters of a Secondary Switching Area are generally LDCCs.
<u>(j) Short Distance Charging Centre (SDCC)</u>	Short Distance Charging Centre is a particular exchange in short distance charging area as presently defined for the purpose of charging trunk calls. Headquarters of Short Distance Charging Areas are generally SDCCs.
<u>(k) Secondary Switching Area (SSA)</u>	Secondary Switching Area (SSA) is a territory, whose boundaries, generally but not necessarily, are co-terminus with those of a revenue District and in which normally one Trunk Automatic Exchange is located.

Schedule II
Cellular Mobile Telecom Service (CMTS)

ITEM	TARIFF
(1) Date of Implementation	1 April, 2003
(2) Rental and airtime charge	<p>Forbearance provided that:</p> <p>Every service provider shall specify a monthly rental and airtime charge per minute with a pulse duration of 30 seconds, as a “Reference Tariff Package of the Service Provider”.</p> <p>No airtime charge for incoming calls in any of the tariff package i.e. Reference/Alternative.</p>
(3) Refund of deposits.	All deposits (including, inter-alia, STD/ ISD deposits) must be refunded in full to the subscriber at the time of disconnection subject to the condition that outstanding subscriber bills, if any, may be adjusted in the final transaction.
(4) Installation charge	One time installation charge may be levied by a service provider only when a customer initially gets connected to the network of the service provider. No installation charge shall be levied when a subscriber moves from one package to another offered by a service provider.
(5) Roaming 5.a) Regional & National roaming. 5.a.i) Refundable Security deposit 5.a.ii) Entry Fee (one time charge) 5.a.iii) Monthly Access Charge for Regional and/or National Roaming. 5.a.iv) Airtime charge	 Forbearance Nil Rs.100.00 as ceiling. Rs.3.00 per minute as ceiling.

5.a.v) PSTN charge	As applicable from time to time to the fixed network.
5.a.vi) Surcharge	15% as ceiling on airtime component only
5.b) International Roaming.	Forbearance.
5.c) Other matters related to roaming.	Forbearance.
(6) Tariff for prepaid service	<p>Forbearance;</p> <p>Provided that –</p> <p>a) At least one denomination of pre-paid cards offered by every Service Provider must be for an amount of Rs.300.00 or less with a corresponding validity period of at least one month.</p> <p>b) The charges for replacement of lost/damaged SIM card shall be based on cost with a reasonable mark-up.</p> <p>c) If there is any amount that is unused at the end of the validity period, this amount should be carried over to the renewed card, if such renewal is done within a reasonable, specified period.</p> <p>d) In the case of each pre-paid card package, the customer should be prominently and clearly informed of the total amount that is available in the pre-paid card package for making calls, i.e. to pay towards usage.</p>
(7) Other matters relevant to tariff including billing cycle.	Forbearance.

Notes:

- 1) The Reference Tariff Package shall always be available to the customer together with any other tariff offers.
- 2) The Service Provider shall give wide publicity to its Reference Tariff Package.

- 3) The Authority shall continue to monitor the tariffs in the market, and if required, shall reintroduce standard tariff package(s) for one or more licensed service areas as may be deemed necessary.

- 4) From time to time the TRAI will make public a comprehensive list of the Reference Tariff Packages of all CMSOs in the country through its web site and through consumer organisations registered with it to keep the public informed of all Reference Tariff Packages on offer.

EXPLANATORY MEMORANDUM

1. The Twenty Fourth Amendment to the Telecommunication Tariff Order (“TTO”), 1999, the first Tariff Order during 2003, is an outcome of the deliberations carried out by the Authority through its Consultation Papers and its Open House Discussions on Tariffs for Basic Services, Tariff for Cellular Mobile Services, Issues relating to Interconnection between Access Providers and National Long Distance Operators and the Reference Interconnect Offer (RIO). It also synthesizes the various responses and inputs received through the Consultation Papers and suggestions from various quarters.
2. The objective of this Explanatory Memorandum is to provide a clear and transparent exposition of the Order (“TTO 2003”) which provides retail tariffs for basic and cellular mobile services. The TTO 2003 builds upon the tariff regime that was earlier put in place through the TTO of 1999. TTO 1999 implemented a phased tariff re-balancing to prepare the market situation for the ensuing competition, so that the adjustment required by the incumbent to the sharp price decline due to competition would be mitigated when such a decrease takes place. The competition in the market, with the entry of additional service providers in both the national long distance and the international long distance segments, has led to a further, large decrease in the prices for these services. While this has led to a drop in the above cost tariffs, the below cost or near cost tariffs could not increase because they were specified at particular levels to take account of the social objectives.
3. The drastic reduction in long distance call charges implies that the source of cross-subsidy that was earlier available to cover the below cost tariffs, has been reduced to a major extent. This implies a need for two types of policy changes. One, to increase the below cost prices so that these cover at least some part of the uncovered costs, and the second that to the extent that costs of access are not covered by the tariffs, an access deficit charge (“ADC”) should be given to the access provider who incurs access deficit. In this regard, it is worth noting that the fixed service provider incurs

an access deficit due to the rental being below cost, the provision of free calls, and call charge for certain calls being below cost. On the other hand the cellular mobile and Wireless in Local Loop with limited mobility (WLL-M) services are able to recover all their costs.

4. The Authority has taken account of these factors and has determined an interconnection usage charge (IUC) regime for basic and cellular mobile services service, which is given in a Regulation notified separately. That Regulation also addresses the amount of access charge payment to be made to basic service provider by cellular mobile for its calls within a License area (intra-Metro or intra-Circle), and vice versa.
5. The IUC regime is not independent of tariffs, because the amount of ADC to be covered from various calls depends inter alia on tariffs. Thus, in determining tariffs, the Authority had to consider the objective of affordability as well as not fixing too high an ADC which would become a handicap for the fixed line segment of the market in competing with cellular mobile and WLL-M.
6. Therefore, the tariffs have been determined in such a manner that the objective of NTP 1999 can be achieved while maintaining the sustainability of the fixed line segment of the market, which is and shall continue to be the dominant portion of the market for some time to come. If the ADC is not recovered, the sustainability of the fixed line service will become increasingly difficult.
7. At the same time, if the prices of local call and shorter distance calls are kept at (or close to) the prevailing levels, the shortfall to be covered through ADC will be more and will have to be recovered either through increasing monthly rental or by increasing the call charge for long distance calls. An increase in monthly rentals would have a relatively low impact on reducing the ADC (an average increase in monthly rental of Rs. 4.50 for all subscribers is equivalent to a general increase in call charge of 1 paise per minute), and in addition a large increase in monthly rentals would adversely affect the demand for phone connections. This would lead to inability in achieving the teledensity targets for our country. On the other hand, if rental is not increased at all,

the call charges for long distance calls would have to be increased to a larger extent by the fixed network, making it un-competitive with WLL-M and cellular mobile.

8. Thus, it is necessary to increase local and short distance call charges even as it is ensured that such increases are the very minimum and the recovery of the balance ADC takes place as far as possible from the long distance call charges in a sustainable manner.
9. To the extent that the Authority provides ADC to the service provider, the requirement for USO will be minimized. The USO will, however, still be required because while the ADC will cover the costs for SDCAs with average costs, there will be SDCAs with higher costs whose costs will individually not be covered by the ADC payments. It is nonetheless expected that with an increased size of the network, the overall cost and the USO requirements will fall over time.

Tariffs For Basic Service

10. The analysis of the tariffs for basic service notified in Schedule I takes account of the recent developments in the License regime and the competition that has manifested itself in the market for basic service (including WLL-M), national and international long distance services, and the cellular mobile service. These developments need to be combined with several other concerns, including for example:
 - the NTP 1999 objective of affordability and an increase in teledensity;
 - the extent of competition in the three segments of the telecom market namely access provision, DLD and ILD;
 - whether to continue with the existing tariff framework of tariff regulation through standard tariff package (STP) and alternate tariff package (ATP); and
 - concerns regarding level playing field among various services.
11. Today, there is a stronger conflict between balancing the social and the commercial objectives of the basic service providers, than was the case at the time of the Telecommunication Tariff Order (TTO) 1999. In order to gain a better perspective on

the issue of affordability, the Authority made detailed studies and commissioned the National Council of Applied Economic Research (NCAER) to carry out studies and submit a report on this issue. Two reports titled 'Telephone Study, 2002' and 'Affordability of Telecommunication Services, 2002' were received from them.

12. The first was a survey of the consumers covered in the overall expenditure survey made by NCAER to determine the levels of monthly rental and call charge that were considered as affordable by the existing as well as the potential subscribers of basic services. The second study carried out an analysis of the data on affordability and income levels of various subscribers, and identified the willingness of various subscribers in diverse urban and rural areas in various States and the metropolitan cities. The results of the study indicated that the monthly rentals and call charges should remain low, with minimal changes being made to the tariff regime, in particular for the rural subscribers.

Monthly rentals

13. TRAI's examination of the issue of affordability suggests that it continues to be critical and the rentals as well as the call charges will need to be regulated to make these affordable to customers at different levels. The Authority has therefore decided that the monthly rentals for exchange capacity of upto 29,999 lines should not increase and even in the higher capacity exchanges increase should be minimal. Most of the rural subscribers are in the categories for which rental has not been increased. In this regard, the Authority has also taken into account the fact that the growth rate for subscribers in these rural areas is low, and an increase in monthly rentals could affect it adversely.
14. The Authority also considered the submissions from various stakeholders on the determination of monthly rentals. As in the case of the previous consultations on basic service tariffs, the views cover an entire spectrum of opinions, ranging from decrease in monthly rental together with an increase in free calls, to an increase in monthly rental and doing away with free calls. The Authority therefore has decided to increase the monthly rentals only in the two largest categories for the purpose of rentals.

15. The Authority had received various submissions from Senior Citizens forum as well as individuals on keeping the rentals lower for Senior Citizens. The Authority therefore has decided to keep the monthly rentals unchanged for Senior Citizens.
16. The Authority then considered whether it should provide separate and higher monthly rentals for commercial subscribers. It took account of the recent experience in the market where the possibility of charging higher rentals from commercial subscribers and of providing lower free calls was not exercised by any of the service providers. The Authority however was of the considered opinion that higher rental for commercial subscribers is eminently justified as they must pay tariffs which are as close to the cost of the service as possible. It has, therefore, decided that commercial rentals would be valid for urban areas as per the levels specified in TTO 1999, for the two highest monthly rental categories. These higher levels have yet not been given effect by the operators.
17. This Order re-iterates for WLL-M, the cost-based monthly rental that has been specified by the Authority after its first review of these rentals, i.e. Rs. 200 per month.
18. In view of the objective of keeping monthly rentals low, there is a need to specify a standard tariff package. The Authority is therefore continuing with such a package as a regulatory mechanism for ensuring a minimum tariff combination being available to the customers.

Local Call Charge

19. The Authority received feedback from various stake holders with respect to their suggestions on local call charges. While some of the suggestions related to reducing the existing duration of local calls from 3 minutes, a few others mentioned that number of pulses at the beginning of calls should be higher and at a later stage should be lower. Yet another genre of suggestions was that the tariff for a local call should be in two steps, viz for call set up and for the duration. This however was not considered by the Authority as the feedback was that it could be difficult to implement in the billing systems employed by different operators.

20. In a large number of cases, the view was that there was need to bring about cost orientation in local call charges and that the unit of timing should be suitably recalibrated for this purpose.
21. As shown in the Authority's analysis of the IUC, if all of the ADC is to be equally distributed on all the minutes of use, then the local call charge should be Re. 1.00 per minute to cover costs. This charge, however, would be too burdensome on the consumer and would not encourage the usage of telephones. A large portion of the total subscriber base today uses the telephone mainly for local calls, and increasing the local call charge to cover costs would adversely affect affordability for these subscribers. At the same time, with the long distance call charges falling precipitously, the source of cross subsidy to bear the ADC has now gone virtually dry. Thus, some increase in the local call charge is inescapable if the fixed line service has to be made sustainable.
22. The Authority has given considerable thought to the conflicting concerns mentioned above, and has reached the conclusion that it will not alter the existing call charges, but the change in call charge will be brought about by altering the pulse duration, free call limit, and the threshold level above which the call charge of Rs. 1.20 applies.
- The call charge for initial calls will remain the same in both the rural as well as in urban area, respectively at Rs 0.80 and Re. 1.00 for the first 300 pulses, and will be 1.20 thereafter.
 - The pulse duration for local calls will be 120 seconds, as a predominant portion of the calls are of a duration less than two minutes.
 - The Authority has provided IUC for calls to and from WLL(M) also. Taking account of the competition in the WLL(M) segment, the Authority has forborne with respect to calls from WLL(M). Incoming calls would remain free.

Long Distance Call Charge

23. As mentioned above, competition in the long distance market has led to a sharp fall in prices. This provides a basis for considering forbearance for these tariffs. However,

there are two important issues to consider in this regard. One pertains to the tariffs of STD calls for short distances, and another relates to the sustainability of fixed line service if the long distance tariffs continue to fall. As shown below, the Authority has decided in favour of a partial forbearance for long distance tariffs, namely that the tariffs for certain shorter distance calls have been specified but the tariffs for longer distance calls have not been specified.

24. For long distance call charge, a strong view was presented in favour of tariff forbearance, while there was also a proposal that these tariffs should have a floor and a ceiling.

(a) Distance categories of “0 to 50 kms” Intra-License area and Inter-License area calls

25. At present, the tariffs for “0 to 50 kms.” STD calls (both intra- and inter-circle) are the same as that for local calls. These calls therefore are seen by the consumers as if they were local calls, and the consumer reaction to tariffs for such calls would be similar to a change in the local call charge. Moreover, in rural areas, such tariffs have provided a basis for enhanced usage of such calls. It has also led to a greater community of interest being established over these distances. The Authority has, therefore, decided that for these distance categories, i.e. for “0 to 50 kms” Intra-License area and Inter-License area calls, the call charge should be the same as for local calls. This will maintain the ease of calling over relatively shorter distances provided in the present tariff regime, and will be beneficial in particular for the rural subscribers.

26. It should be noted that the Authority is not in favour of the application of local call tariffs for neighbouring SDCAs. Because of compelling economic reasons all such calls are to be clearly categorized and treated as either local calls or long distance calls going by their distance and charged accordingly. Some of these calls involve carriage over long distances, even hundreds of kilometers.

(b) Other Distance categories

27. In recent months, the TRAI has analyzed the costs of providing long distance calls in the context of its IUC exercise. Judging from these results, it is possible that competition in the long distance market may lead to even lower prices for these calls.

While this would in general be good for the consumer in the short run, such a price development would make it more difficult to recover the ADC from long distance tariffs for the fixed line phones. With the imposed below cost tariffs (i.e. prices that do not cover average ADC) for monthly rental and local calls the fixed line service will be unable to recover the ADC from the long distance tariffs. This would make the sustenance of this service even more difficult. In this background the incumbent operator has suggested that TRAI should fix a floor to the long distance tariffs to help the viability of the fixed line service. This suggestion is also to address the possibility of below cost pricing by any long distance service provider.

28. The Authority considers it undesirable to fix a floor on a price in a competitive market, because this prevents the benefits of competition to be passed on to the customer. The IUC charges will implicitly function as a floor to the tariffs. Further, in addition to specifying the tariffs for distance categories “0 to 50 kms.” for intra-circle calls and inter-circle calls, the Authority has decided to offer forbearance for long distance calls, subject to a ceiling of Rs. 8.40 per minute.
29. Schedule I addresses intra-circle and inter-circle long distance calls separately. This makes it possible to ascertain the applicable tariffs for the national long distance calls (i.e. those that can be carried only by an NLDO) and other long distance calls which are intra-circle calls.

Inter-network calls made within the License area

30. These are calls made within a metro or within a circle from basic service to cellular mobile.
31. For calls within a circle from fixed line to cellular mobile, the Authority has fixed a charge of Rs. 1.20 per minute. These calls enable the subscriber to access the cellular mobile subscriber over a large area, and they normally involve carriage from the basic service subscriber beyond the SDCA. The cost of carriage therefore has also to be obtained from such a call charge, and Rs. 1.20 per minute has been fixed taking these factors into account. Details on IUC for the various calls are in the Regulation on IUC.

32. For calls from basic service to cellular mobile in metros that are classified as separate License areas for cellular mobile, i.e. Chennai, Delhi, Kolkata and Mumbai, the calls charge will be Rs. 1.20 per 90 seconds. Details on IUC for the various calls are in the Regulation on IUC.

International Calls

33. The tariffs for international calls have also decreased sharply, and are likely to decrease further. The Authority has decided to forbear with respect to the tariffs for these calls.

Free Calls

34. During its consultations, the service providers suggested that free calls should be given up or drastically curtailed, and the consumers were of the view that these calls should be increased. The Authority is of the opinion that similar to the policy of intervention in the case of local call charge, an allowance of free calls should also be maintained, but the extent of the free calls may be recalibrated.
35. The free call allowance is as follows:
- Rural subscriber: 50 metered call units per month of the billing cycle
 - Urban subscriber: 30 metered call units per month of the billing cycle
36. For WLL-M, there are no free calls in the standard tariff package.

Peak/Offpeak hours

37. With the drastic fall in long distance tariffs, the difference between peak and off-peak call charge may not remain substantial. In view of the dramatic price developments in the market and the fact that the ADC requires tariffs in line with those prevailing in the market, the Authority has decided to forbear with respect to peak/off-hours and left the decision on this matter to the service provider.

Other issues

38. The Authority have received representations from some ISPs regarding extending the same facility for ISPs using ISDN PRI Access code for dialup access for Internet Service, e.g. 373XXXX. The Authority is of the opinion that the facility of reduced dialup charges for Internet access during off peak period should be available to all the users of Internet services irrespective of the nature of junction lines i.e. E1/R2 or ISDN PRI utilized by ISPs.

Tariffs For Cellular Mobile Service

39. The tariff for cellular mobile are provided in Schedule II. In the case of tariffs for cellular mobile service, the Authority has been guided by the fact that the cellular sector has witnessed substantial growth and tariffs in the cellular sector have also been subject to declining trends due to the competition prevalent in the market.
40. The key consideration in outlining the policy regime for the cellular services was to see the continuance of the market mechanism playing its role in conformity with the dictates of competition. To this end , it was felt that apart from roaming which would still continue to be regulated, as per the provisions of the 23rd amendment to the TTO 1999, the Authority would reiterate continued forbearance for outgoing calls in the sector.
41. To this extent, it was felt that as cellular tariffs, i.e. rental and originating airtime are market driven, there is only the need to fix the mobile termination charge (MTC) on the basis of the costs involved in termination.
42. The Authority has decided that with the payment of MTC, the receiving party shall not pay for any incoming airtime for cellular mobile.